



*Department of Veterans Affairs
6900 Almeda Road
Houston, Texas 77030-4200
Toll Free 1.888.232.2571
Web Site www.homeloans.va.gov
Web Site www.vahouston.com*

BULLETIN NO. 2002-20

October 7, 2002

TO: ALL LENDERS, SARS, HOLDERS AND SERVICERS

**SUBJ: REQUIREMENTS FOR VA LOANS WHEN PROPERTIES ARE
LOCATED IN DISASTER AREAS**

PURPOSE

This bulletin is to remind you of VA requirements regarding loans secured by properties which are located in major disaster areas designated by Federal or State authorities as a result of heavy rains and flooding in Texas.

AREAS AFFECTED

- Louisiana Parishes covered by the Federal Disaster Declaration on September 27, 2002, pertaining to Tropical Storm Isidore include Iberia, Jefferson, Lafourche, Livingston, Orleans, Plaquemines, St. Bernard, St. Charles, St. John the Baptist, St. Tammany, Tangipahoa, and Terrebonne.
- Louisiana Parishes covered by the Federal Disaster Declaration on October 3, 2002, pertaining to Hurricane Lili include Acadia, Ascension, Assumption, Avoyelles, Beauregard, Calcasieu, Cameron, Evangeline, Iberia, Iberville, Jefferson Davis, Jefferson, Lafayette, Lafourche, Livingston, Orleans, Plaquemines, St. Bernard, St. Charles, St. James, St. John the Baptist, St. Landry, St. Martin, St. Mary, St. Tammany, Tangipahoa, Terrebone, and Vermillion.

LOAN CLOSED PRIOR TO DISASTER

Any loan closed prior to September 27, 2002, is eligible for VA guaranty without regard to the disaster.

PROPERTY APPRAISED PRIOR TO DISASTER

For a loan on a property in one of the above Parishes that was appraised on or before September 27, 2002, for Isidore or October 3, 2002, for Lili, and not closed, the following certifications are necessary to be eligible for VA guaranty:

Both of the following certifications must be submitted with the guaranty request:

- **Lender Certification** - This is to affirm that the property which is the security for VA loan number _____ has been inspected to ensure that it was either not damaged in the recent disaster or has been restored to its pre-disaster condition or better.

(Lender Signature)

(Lender Title)

(Date)

- **Veteran Certification** - I have inspected the property located at _____ and find its condition now to be acceptable to me. I understand that I will not be charged for any disaster-related expenses, and now wish to close the loan.

(Veteran Signature)

(Date)

- The "Remarks" section of VA Form 26-0286, VA Loan Summary Sheet, must be annotated "Lender and Veteran Disaster Certifications Enclosed". Additionally, if local law requires the property to be inspected and approved by the local building inspection authority, a copy of the appropriate local report(s) must be provided. Neither VA nor the veteran purchaser shall bear the expense of any disaster-related inspections or repairs.
- If there is an indication that the property, despite repairs, will be worth less at the time of loan closing than it was at the time of appraisal, then the lender must have the VA fee appraiser update the original value estimate. The payment of the appraiser's fee for that service will be a contractual matter between the buyer and seller. If the property value has decreased, the loan amount must be reduced accordingly.
- The lender should ascertain prior to closing that the veteran's employment and income have not changed since the loan application. If at the time of loan closing the veteran is no longer employed or family income has been reduced, that should be reported to VA or the automatic underwriter, as appropriate, for evaluation prior to closing the loan.

ASSISTANCE TO HOMEOWNERS

VA encourages holders of guaranteed loans in disaster areas to extend every possible forbearance to borrowers in distress through no fault of their own. VA Regulations regarding Reapplication of Prepayments (38 CFR 36.4310), Advances (38 CFR 36.4313), Extensions and Reamortizations (38 CFR 36.4314), and Supplemental Loans (38 CFR 36.4355) may be of assistance in appropriate cases. It is the servicer's responsibility to inspect damages to properties and counsel borrowers concerning assistance which may be available to them. Please include a copy of the attached Disaster Information Bulletin for Homeowners with any correspondence you send borrowers in the disaster areas.

FORECLOSURE SALES

When a foreclosure sale is already scheduled as a result of an insoluble default which occurred prior to the disaster, the sale should be delayed only to the extent necessary to determine that the liquidation appraisal remains accurate, and for such time as it may take the holder to obtain an acceptable hazard insurance loss settlement for purposes of 38 CFR 36.4326. Servicers will contact the VA fee appraiser assigned the case for an updated liquidation appraisal when there is damage to the property. A re-inspection fee of \$50 will be reimbursed by VA when the claim under guaranty is submitted.

Since the holder is ultimately responsible for determining when to initiate foreclosure and for completing termination action, we are requesting that holders carefully review loans being referred for foreclosure if the property is located in a disaster area. If a delay of foreclosure action appears to be warranted, servicers or holders should advise VA so that any interest cutoff date will be appropriately adjusted.

HAZARD INSURANCE

VA Regulation 38 CFR 36.4326 requires that holders ensure that homes financed with the assistance of VA guaranteed loans are sufficiently insured against hazards (including flooding, where appropriate).

38 CFR 36.4325(b) authorizes VA to adjust any claim resulting from a loan foreclosure in which the holder failed to obtain insurance. The burden of proof is upon the holder to establish that no increase in VA's ultimate liability is attributable to the failure of the holder to have the property properly insured.

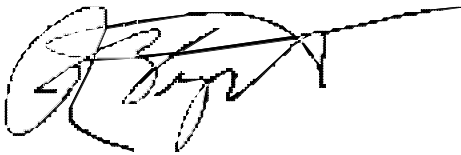
Holders are reminded that hazard insurance policies are not to be canceled in the event of a foreclosure sale. The policies are to be endorsed to the Secretary of Veterans Affairs when property is conveyed to VA following a foreclosure sale.

QUESTIONS AND COMMENTS

If there are any loan origination-related questions, please contact Mark Bologna at (888) 232-2571 or via E-mail at LGYMBOLO@vba.va.gov. Please E-mail questions and comments concerning Loan Administration related questions to Helen Galer, Loan Administration Officer at LGYHGALE@vba.va.gov. You may also call her at 713-794-3602. For Construction and Valuation related questions, please contact Dave Newton at (713) 383-3101 or via E-mail at LGYWNEWT@vba.va.gov.

RESCISSION

This bulletin rescinds all previous bulletins on the subject.

A handwritten signature in black ink, appearing to read 'R. Biagioli', with a long horizontal line extending to the right.

R. BIAGIOLI
Loan Guaranty Officer

DEPARTMENT OF VETERANS AFFAIRS
DISASTER INFORMATION BULLETIN FOR HOMEOWNERS

This bulletin provides information for individuals who have home loans guaranteed by the Department of Veterans Affairs (VA).

CONTACT YOUR MORTGAGE COMPANY

You are not excused from making your regular monthly loan payments even if your home is not habitable. Contact your mortgage company as soon as possible regarding your loss. You should discuss forbearance or possible extension or reamortization of your loan with the mortgage company if you are unable to make your payments on time. VA employees are available to discuss these relief measures with you. Talk to a VA Loan Service Representative by calling our toll free number 1-888-232-2571. Ask your mortgage company to explain their procedure regarding insurance loss checks and repairs to the property, payment to contractors, etc.

CONTACT YOUR INSURANCE COMPANY OR AGENT

File insurance loss claims as soon as possible. Do not make a hasty insurance loss settlement. If possible, get at least two estimates from reputable contractors for repairs or rebuilding. Attempt to get the city engineer's office to make an inspection for structural damage, when the property is damaged but repairable. If a city engineer's inspection is not obtainable, an inspection by a licensed professional engineer should be obtained before agreeing to an insurance loss settlement. Insurance checks for personal property and living expenses should be made payable to you only. Checks for damage to your home should be made payable to you and your mortgage company.

CHECK ALL SOURCES

Be sure to check every source at local disaster centers for maximum assistance. Low interest loans, cash grants, and housing assistance may be available. Information on applying for disaster assistance can be found at the Federal Emergency Management Agency's (FEMA's) website, www.fema.gov or by calling FEMA's toll free number 1-800-462-9029 (TDD 1-800-462-7585). Do not pay your loan in full before checking with the Small Business Administration on a loan for the uninsured portion of your loss.

Disabled veterans should contact local Disabled American Veterans (DAV) offices. Financial assistance is available to disabled veterans who qualify, even if they are not a member of DAV. The number is (210) 699-2359.

CHANGE YOUR ADDRESS

If you are receiving a monthly benefit check from VA and unable to receive mail at your regular address, notify your local post office and local VA Regional Office of your change of address. For information about VA benefits other than home loans, call 1-800-827-1000.